

# PROPOSED RESOLUTION

Resolution W-5162  
WD

Agenda ID #16368 (Rev. 1)  
Item #19

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5162  
April 26, 2018

### RESOLUTION

(RES. W-5162) POINT ARENA WATER WORKS. ORDER  
AUTHORIZING A SURCHARGE OF \$17.92, OVER THIRTY SIX  
MONTHS TO RECOVER A BALANCE OF \$124,484 RECORDED  
IN ITS CATASTROPHIC EVENT MEMORANDUM ACCOUNT,  
TO BE PAID BY THE RATEPAYERS.

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### SUMMARY

By Advice Letter 78, filed on December 6, 2017, Point Arena Water Works, a Class D water utility, seeks to recover the balance of \$124,484 recorded in its Catastrophic Event Memorandum Account, from April 1, 2017 through October 31, 2017.

This Resolution authorizes a monthly surcharge of \$17.92 for thirty six months, to recover the expenses incurred in the Catastrophic Event Memorandum Account.

### BACKGROUND

Point Arena Water Works (PAWW) provides water utility service to 193 customers in the City of Point Arena, Mendocino County. PAWW has a well adjacent to the Garcia River which is its primary source of water.

By Advice Letter (AL) 61, effective November 8, 2010, PAWW established a Catastrophic Event Memorandum Account (CEMA). By letter dated March 31, 2017, PAWW informed Water Division (WD) that it would begin booking the costs to its CEMA for repairs due to flood damage at its Garcia River well site.

By Advice Letter 78, PAWW has requested authority under General Order (G.O.) 96-B and Section 454 of the Public Utilities Codes to increase rates to recover the balance recorded in its CEMA from April 1, 2017 to October 31, 2017. PAWW's present rates became effective on June 23, 2017, through AL 77 which implemented a Consumer Price Index increase. The last general rate increase was approved on June 21, 2012 pursuant to Resolution W-4922, which authorized a rate increase of \$37,414 or 15.86%.

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## NOTICE AND PROTESTS

AL 78 was served on December 1, 2017, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase request was mailed to the customers on December 11, 2017. One protest was received and the utility responded. The protestant stated that the increase “feels steep and unreasonable” and expressed concern that costs from future events could increase rates still further. The utility responded that its management was making every effort to keep rates down, but that events like this one were beyond its control.

## DISCUSSION

The winter of 2017 was one of the wettest on record. During the week of February 20, 2017, there was flooding on the Garcia River. PAWW’s Garcia River Well is about 250 feet south of the river. Debris caught in the willows near PAWW’s well site caused deposition of a large gravel bar. The gravel bar caused the flood waters to create a trench approximately 206 feet long and 30 feet wide on average toward PAWW’s well site. The trench came to within about 20 feet of the well. Further erosion could have threatened the integrity of the well and contaminated the drinking water.

PAWW activated its CEMA by informing WD on March 31, 2017 that it would book expenses for the well site repair to the CEMA. PAWW provided to WD a detailed report, including photographs, of the flood damage. PAWW also provided WD with an initial estimate of \$134,898 for the repairs. The repair project required permits, engineering work, heavy equipment, materials and labor at an eventual final cost of \$124,484. The repair project included reinforcing the riverbank to prevent future flooding from threatening the well site.

By AL 78, filed on December 1, 2017, PAWW seeks to recover the accumulated balance in the CEMA from April 1, 2017 through October 31, 2017, as a result of the PAWW’s Garcia River well repair. PAWW provided WD with a detailed report of the work done and the expenses incurred. WD reviewed the report and the expenses booked to PAWW’s CEMA. The accumulated balance in the CEMA for the period of April 1, 2017 to October 31, 2017 was \$124,484.

When a utility seeks recovery of the costs recorded in its memorandum account, it has the burden to meet the following standard:

- 1) it acted prudently when it incurred these costs;
- 2) the utility paid reasonable amounts for these costs;
- 3) the memorandum account costs are not covered by other authorized rates;

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and

4) it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates (see e.g., Ordering Paragraph 5 of Res. W-4824.)

Based on the emergency discussed above, the actions taken were required to protect the integrity of the well site. Therefore, the WD finds that PAWW acted prudently in incurring the costs recorded in its CEMA.

With respect to the 2nd standard, WD reviewed the costs of \$124,484 booked to the CEMA and has found these costs to be reasonable in light of the critical repairs required at the well site.

With respect to the 3rd standard discussed above, PAWW could not have anticipated the repairs it made to its well site as a result of the catastrophic event recorded in its CEMA, so the costs could not have been included in the utility's previously authorized rates.

With respect to the 4<sup>th</sup> standard, WD finds it is appropriate for the ratepayers to pay for the costs booked to the CEMA as the repairs were required to assure safe, reliable water service.

PAWW requested and the WD recommends that the balance of \$124,484 be collected through a surcharge of \$17.92 for a period of thirty-six months. Standard Practice U-27-W provides that memorandum account balances above 10% of gross annual revenues are to be collected over a 36 month period. The balance of \$124,484 is approximately 47% of gross annual revenues for PAWW and therefore a recovery period of 36 months follows the standard practice. The tariff to be adopted is attached as Appendix A to this resolution. (The tariff sheet will only revise items 4, 5, and 6. Items 1, 2, and 3 on the previous page are unchanged. The first sheet of Appendix A is included to show how the surcharge compares to the service charge.)

With the Division's recommended surcharge an average customer using 5.5 ccf would see a bill increase from \$100.62 to \$118.54, or 17.8%. The table below is a rate comparison of equivalent bills charged to customers of nearby utilities.

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Utility	Service Charge	Quantity Charge at 5.5. CCF	All Other Surcharges	Proposed Surcharge	Total
Point Arena Water Works	\$56.67	\$36.91	\$7.04	\$17.92	\$118.54
Sea Ranch Water Company	\$116.51	\$10.01	\$11.89	NA	\$138.41
North Gualala Water Works	\$43.64	\$44.51	\$33.79	NA	\$121.94

### Affordability of Proposed Rates

As discussed above, the proposed surcharge would increase the typical bill from \$100.62 to \$118.54, which is 3.06 % of the median household income of \$46,520 for the zip code that includes PAWW's service territory.

It should be noted that no affordability criteria has been developed and adopted in any Commission Decision or legislation. Instead, the discussion regarding affordability is presented to indicate to the Commission the relationship between the proposed rates and local incomes.

### COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the protestant and made available for public comment on March 27, 2018. No comments were received.

### SAFETY

The resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board, Division of Drinking Water.

### COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

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### FINDINGS

1. Point Arena Water Works (PAWW) seeks to recover the costs booked to its Catastrophic Event Memorandum Account (CEMA). The CEMA was established on November 8, 2010 by approval of Advice Letter (AL) 61.
2. PAWW notified Water Division on March 31, 2017 that it would begin booking costs to its CEMA.
3. By AL 78, filed on December 6, 2017, PAWW seeks to recover expenses which PAWW recorded in its CEMA from April 1, 2017 through October 31, 2017.
4. AL 78 was served on December 1, 2017, in accordance with the provisions of General Order (G.O.) 96-B. A notice of the proposed rate increase request was mailed to customers on December 11, 2017. One protest was received and the utility responded.
5. PAWW incurred and recorded in the CEMA from April 1, 2017 through October 31, 2017, a total amount of \$124,484.
6. PAWW should be permitted to transfer the balance of \$124,484 from the CEMA to a balancing account for recovery.
7. PAWW should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$17.92 per month for a period of thirty-six months.

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### **THEREFORE, IT IS ORDERED THAT:**

1. Point Arena Water Works is permitted to transfer the amount of \$124,484, the combined balance in its Catastrophic Event Memorandum Account, to a balancing account for recovery over a period of thirty-six months. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Point Arena Water Works is permitted to recover the amounts in the balancing accounts reflected in Ordering Paragraph 1 above by imposing a surcharge of \$17.92 per month, for a period of thirty-six months.
3. Authority is granted under Public Utilities Code Section 454 to Point Arena Water Works to file a supplemental advice letter with the rate schedule attached to this resolution as Appendix A, and concurrently cancel the second and third sheet of its presently effective Schedule No. 1, General Metered Service. The effective date of the rate schedule shall be five days after the date of filing.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on April 26, 2018; the following Commissioners voting favorably thereon:

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ALICE STEBBINS  
Executive Director

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## APPENDIX A

### Schedule No. 1

#### GENERAL METERED SERVICE

##### APPLICABILITY

Applicable to all metered water service.

##### TERRITORY

The city of Point Arena and vicinity and Whiskey Shoals Subdivision Unit  
Nos. 1, 2 & 3, Mendocino County.

##### RATES

###### Quantity rates:

All water, per 100 cu. ft.	\$ 6.71
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###### Per Meter Per Month

###### Service Charge:

For 5/8 x 3/4-inch meter	\$ 56.67
For 3/4-inch meter	85.03
For 1 - inch meter	141.64
For 1-1/2-inch meter	283.30
For 2 - inch meter	453.35
For 3 - inch meter	850.00
For 4 - inch meter	1,416.69
For 6 - inch meter	1,416.69

The Service Charge is a readiness-to-serve charge which is applicable to all metered water service, and to which is to be added the monthly charge computed at the Quantity Rates.

##### SPECIAL CONDITIONS

1. In addition to the above rates and charges rendered to all bills under this Schedule, a surcharge will be added as set forth in Schedule No. 2-X, General Metered Surcharge.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
3. Point Arena Associates and Wharf Masters Inn will be charged the 4-inch meter charge pursuant to Resolution No. W-4233.

(Continued)

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## Appendix A

### Schedule No. 1

#### GENERAL METERED SERVICE

(continued)

(D)

(D)

4. The California Department of Forestry (CalFire) will be charged at the rate of the 2-inch meter charge.

5. As authorized by the California Public Utilities Commission, all bills are subject to a one-time service charge of \$43,514 to be collected at the rate of \$4.82 per customer per month over a period of 48 months from the effective date of Advice Letter 70-A. This surcharge is specifically for amortization of expenses accrued in the Water Rights Memorandum Account for the period 2007-2013 for Water Application 25442 with the State Water Resources Control Board.

6. As authorized by the California Public Utilities Commission, all bills are	(N)
subject to a one-time surcharge of \$124,484 to be collected at the rate of	
\$17.92 per customer per month over a period of 36 months from the	
effective date of Advice Letter No. 78 and/or terminated upon the full	
amortization or recovery of the CEMA. This surcharge is specifically for	
the recovery of expenses accrued in the CEMA for the period of April 1,	
2017 – October 31, 2017 for the repair of its Garcia River well site.	(N)

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### **POINT ARENA WATER WORKS ADVICE LETTER NO. 78-W SERVICE LIST**

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